

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 11/22/2011	(3) CONTACT/PHONE Vincent Morici (805) 781-5011	
(4) SUBJECT Submittal of the Fiscal Year 2011-12 First Quarter Financial Report.			
(5) RECOMMENDED ACTION It is recommended that the Board of Supervisors: <div style="margin-left: 20px;"> 1. Receive, review, and file the Fiscal Year 2011-12 First Quarter Financial Report; 2. Accept cash donations and approve an appropriation transfer in the amount of \$825.00 from the Parks gift trust fund to the FC 305- Parks operating budget. 3. Accept cash donations and approve an appropriation transfer in the amount of \$30,942.87 from the Library Gift Trust Fund to the FC 377- Library operating budget. 4. Approve an appropriation transfer in the amount of \$527.69 from the Social Services Gift Trust Fund to the FY 2011-12 Social Services Administrative operating budget; 5. Approve an appropriation transfer in the amount of \$35,000 from General Fund Contingencies to Fund Center 111 – County Counsel to cover the costs of outside counsel for the Los Osos Bankruptcy litigation; 6. Approve a request by County Fire for a relief from accountability for 4 surplus vehicles with an estimated total value of \$10,000. </div> Recommendations 2 through 5 require a 4/5 ^{ths} vote.			
(6) FUNDING SOURCE(S) Various gift funds and General Fund Contingencies	(7) CURRENT YEAR FINANCIAL IMPACT \$67,296.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est.30) <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1112040, 112047, 112048, 112049 <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW			
(19) SUPERVISOR DISTRICT(S) All Districts			



County of San Luis Obispo

TO: Board of Supervisors

FROM: Administrative Office / Vincent Morici
(805) 781-5011

DATE: 11/22/2011

SUBJECT: Submittal of the Fiscal Year 2011-12 First Quarter Financial Report.

RECOMMENDATION

It is recommended that the Board of Supervisors:

1. Receive, review, and file the Fiscal Year 2011-12 First Quarter Financial Report;
2. Accept cash donations and approve an appropriation transfer in the amount of \$825.00 from the Parks gift trust fund to the FC 305- Parks operating budget.
3. Accept cash donations and approve an appropriation transfer in the amount of \$30,942.87 from the Library Gift Trust Fund to the FC 377- Library operating budget.
4. Approve an appropriation transfer in the amount of \$527.69 from the Social Services Gift Trust Fund to the FY 2011-12 Social Services Administrative operating budget;
5. Approve an appropriation transfer in the amount of \$35,000 from General Fund Contingencies to Fund Center 111 – County Counsel to cover the costs of outside counsel for the Los Osos Bankruptcy litigation;
6. Approve a request by County Fire for a relief from accountability for 4 surplus vehicles with an estimated total value of \$10,000.

Recommendations 2 through 5 require a 4/5th vote.

DISCUSSION

Overview

This report is intended to provide the Board of Supervisors and the public with an overview of the County's financial performance through the First Quarter of Fiscal Year 2011-12. The financial report presented to the Board contains exception reporting (i.e. no mention was made if the financial status of the fund center was within expected parameters). This Financial Report contains an overview of the drivers behind the significant variance between budgeted and actual use of general fund dollars in the first quarter time frame of July 1, 2011 through September 30, 2011.

The report is divided into seven sections:

Section 1- an overview of the County's financial position at the end of the fiscal year, as well as brief summaries of noteworthy departmental fiscal and operational issues.

- **Section 2-** an update on the Status of Funds, Contingencies and Reserves
- **Section 3-** a listing of all personnel changes approved by the Board of Supervisors during the fourth quarter.
- **Section 4-** miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations and discharge of bad debt.
- **Section 5-** an update on all of the Federal stimulus funding received as of the end of the first quarter of FY 2011-12.
- **Section 6-** an update on the Capital Improvement Projects (CIP) managed by the General Services Agency.
- **Section 7-** an update on the Capital Improvement Projects (CIP) managed by the Public Works Department

Executive Summary

The overall spending levels and revenue receipts at the end of the first quarter for FY 2011-12 were generally consistent with prior years. General Fund expenditures were 20% of budget, while General Fund revenues were realized at 9% of budget. The realization of revenue is typical for the first quarters due to the time lag involved in billing cycles and the receipt of reimbursements. Some of the largest revenue sources, such as property taxes, are historically realized later in the fiscal year.

Items of note in the first quarter:

Given that only three months have elapsed in the fiscal year, it is typical that few significant variances have emerged. These are identified below and discussed in greater detail in the attached report.

Planning and Building Department – Fund Center 142

- Planning and Building Department identifies a possible shortfall in departmental revenue if current revenue trends hold throughout the remainder of the year. Overall, revenue is projected be approximately \$439,000 less than the amount budgeted. Planning has identified expenditure savings in salaries and benefits and services and supplies which will reduce the potential impact to the General Fund to approximately \$303,400. Working with the Administrative Office, Planning and Building developed additional options to further minimize the potential impact to the General Fund. The strategy includes following:
 - Planning and Building will incorporate savings from the SLOCEA agreement which allowed for the retention of one overfilled position in the department. These savings were not included in Planning and Building's assessment of the potential impact to the General Fund.
 - Keep four existing vacant positions in the department unfilled
 - Further reduce expenditures in the services and supplies accounts
 Implementing the above will eliminate the currently projected impact to the General Fund.

Planning and Building has also identified the potential for revenue from billings for staff time and materials for projects to be greater than the revenue amounts budgeted for this source. Time and material billings are normally applied to larger projects when fixed permit fees are insufficient to cover the cost of processing permit applications. Should revenue trends turn positive, some or all of the strategy to reduce expenditures could be reversed.

Sheriff's Office – Fund Center 136

- The Sheriff's budget may end the year \$300,000 (0.08%) over its budgeted level of General Fund due to over budget expenditures for fuel and garage charges. Fuel expense is projected to exceed budget by 43% or \$182,000, driven by greater per gallon cost for fuel and an increase in miles driven. Garage charges are also projected to exceed budget by 13% or \$97,000, due in part to unanticipated expense for vehicle repairs and modifications. The Sheriff's Office is working with Fleet to mitigate the increase in vehicle-related expenditures. Although offset by salary savings in other areas, overtime and temp help expenditures also exceeded budget in the first quarter, by \$292,000 and \$27,000 respectively. These

expenditures will be closely monitored and the Sheriff's Office projects salary expenditures will be within budget at year end.

Reprographics – Fund Center 406

- Operational expense for the Reprographics Internal Service Fund (ISF) is funded through revenues derived from charges for services. The trend for a deteriorating demand for Reprographic services, noted in the FY 2011-12 budget, is causing a substantial decline in revenues. First quarter revenues are 32% less than compared to the first quarter of FY 2010-11. Although expenses are also projected to be less than budgeted, the substantial decline in projected revenue indicates that not all operational expense may be recovered through the revenues generated by this ISF. Expenses are currently projected to exceed to revenues by approximately \$92,000. This fund center has approximately \$91,000 in unallocated cash which can be used to bridge the gap in the current fiscal year. However, using the unallocated cash will leave this ISF with no operating cash for the future.

It should be noted that the declining use of printing and copy services is not unique to County Reprographics. Many public entities and private companies have reduced their use of printed media by using electronic media to disseminate reports, informational flyers and other material. The General Services Agency and Administrative Office have been monitoring the decline in the use of Reprographic services over the past two years. Near the end of Fiscal Year 2010-11 the Reprographics business was reviewed by an independent consultant. The consultant business review included an assessment of Reprographics' current business, a cost analysis, and information on industry trends. The General Services Agency is using the information in this report to develop options to meet the County's future needs for print and copy services. The General Services Agency is also evaluating strategies to bridge the current year gap between revenues and expense.

OTHER AGENCY INVOLVEMENT/IMPACT

All departments contributed to the development of this report. The Administrative Office, Human Resources, and the Auditor-Controller's Office compiled data from departments and other sources for the report.

FINANCIAL CONSIDERATIONS

In sum, the potential total impact to the General Fund could be \$600,000 due to a combination of projected revenue shortfall from building permit application fees and greater than budgeted fuel and garage costs for the Sheriff's Office. This amount represents the net impact assuming the departments are able to absorb a portion of the budget impact as noted in the report. Approval of the recommendations will allow for a total of \$32,295 in gift funds and donations to be accepted on behalf of the Library, Department of Social Services (DSS) and Parks and Recreation. The Board is asked to approve a transfer of gift funds received by the Library, DSS Parks to their respective FY 2011-12 operating budgets. County Counsel is also requesting a budget adjustment in the amount of \$35,000 from General Fund Contingencies. County Fire is requesting relief from accountability for the sale of four surplus vehicles, total value estimated to be \$10,000, for which the proceeds from an auction sale were not received due to the bankruptcy of the auction dealer.

RESULTS

This report provides the Board of Supervisors and the public with an overview of the County's financial position at the end of the First Quarter for Fiscal Year 2011-12 contributing to a well governed community.

ATTACHMENTS

1. SECTIONS 1-5 FY 2011-12 First Quarter Financial Report
2. SECTION 6 FY 2011-12 First Quarter Financial Report
3. SECTION 7 FY 2011-12 First Quarter Financial Report